Memorandum

To: Date: January 23, 2003

From: Charles Rufo, Manager Analyst: R. Hernandez

Peter DeMauro, General Counsel

Subject: One-Step Agreement for California Human Development Corporation (SET) (HUA)

(www.chdcorp.org)

CONTRACTOR:

• Multiple Employer: Training Agency

Training Project Profile: Job Creation: Training of Unemployed Workers

SET Workers in High Unemployment Areas

SET Workers with Multiple Barriers to Employment

Legislative Priorities: Displaced/Potentially Displaced Workers

Type of Industry: Various Industries

Repeat Contractor: YesUnion Representation: No

Name and Local Number of Union
 None of the core group of employers is represented by

representing workers to be Trained: collective bargaining agreement.

CONTRACT:

• Program Costs: \$312,236

• Substantial Contribution: \$0

• Multiple Employer Support (12%) \$33,722

• Total ETP Funding: \$345,958

• In-Kind Contribution: \$243,800

• Maximum Contractor Charge: \$0 per trainee

Reimbursement Method: Negotiated Rate

• County(ies) Served: San Joaquin, Stanislaus, Yuba, Sutter, Glenn, Colusa, and

Sonoma

• Duration of Agreement: 24 Months

SUBCONTRACTORS:

None

THIRD PARTY SERVICES:

None

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with California Human Development Corporation (CHDC) within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET7-0304 New Hire	Statewide	4/1/97-3/30/99	\$156,138	\$131,321	84%
ET9-1001 New Hire	Statewide	3/15/99-3/14/01	\$225,165	\$86,625	*38%
ET01-0186 New Hire	Statewide	11/27/00-11/26/02	\$347,769	\$181,172	**52%

^{*}According to the Contractor's representative, the placement rate was not successful because CHDC was restricted to enrolling a pre-set maximum number of trainees. When several trainees dropped out to take (training-related) jobs before having completed training, CHDC was unable to enroll enough additional trainees to positively affect the percentage of placed and retained trainees.

To improve performance, CHDC plans to implement the following changes: 1) Conduct intense pre-screening and assessment of trainees; 2) Create agreements (with no monetary obligation) with trainees detailing students responsibility to complete training and the 90-day retention requirement; and 3) Develop written agreements and/or Memorandums of Understanding with employers for placement and retention of trainees.

NARRATIVE:

This will be the ninth ETP-funded agreement with CHDC. This entity is eligible to contract with the Panel under Title 22, California Code of Regulations (CCR), Section 4400(z) as a repeat training agency.

Founded in 1967, CHDC is a non-profit community based organization that provides social services, including employment training, community education, low-income/senior housing, adult diversion services, weatherization and energy services, supportive and emergency services to farm workers, and other services directed primarily at low-income people. The employment training programs are approved through the Bureau for Private Postsecondary and Vocational Education.

The CHDC program offers services at numerous locations throughout Northern California. There are currently 415 full-time employees at all CHDC locations. The training in this project will be offered at

^{**}This project ended December 31, 2002, and current ETP statistics indicate 52 percent of the funds have been earned.

NARRATIVE: (continued)

the CHDC Anthony Soto Employment Training (ASET) Centers located in Santa Rosa, Marysville, and Stockton.

Under this project, CHDC proposes to train individuals who 1) are eligible for unemployment insurance benefits, or 2) have exhausted their unemployment insurance benefits within the preceding 24 months, or 3) have received, at the time of hire, a notice of layoff from the prior employer, and who face at least two barriers to employment. This program will train 68 individuals in the following types of training:

<u>Welding:</u> The welding program will consist of 660 hours of training. Instruction will include introduction, intermediate, and advanced courses in Shielded Metal Arc Welding, Gas Metal Arc Welding, Gas Tungsten Arc Welding, and Fluxcord Welding. Trainees will also receive training in welding safety, metal preparation and cutting, introduction to metalworking machines, blueprint reading, and measuring practices.

<u>Truck Driving</u>: The truck-driving program will consist of 300 hours of instruction. Training will include topics such as safety, pre-trip vehicle inspection, shifting, backing, coupling, uncoupling, speed management, night operation, emergency maneuvers, preventive maintenance, fuel systems, cargo handling, trip planning, and documentation.

<u>Vocational English as a Second Language (VESL):</u> Each type of training listed above will also include 250 hours of VESL training for 23 trainees in Jobs 2 and 4. CHDC provides VESL training to those individuals who are assessed as needing it to perform their job.. Prior to admission for training, each ETP eligible participant will be tested for English language proficiency by means of standardized assessment tools (CASAS Life Skills Series). Participants who score below 216 will be assigned VESL Training. Based on previous training projects, 250 hours of VESL have been sufficient to provide trainees with language proficiency in the workplace.

In addition, this project is designed for individuals with barriers to full-time employment. Participants will qualify by having at least two identified barriers to employment, including: limited English proficiency, limited basic education, limited or lack of training and/or work history, history of substance abuse, and history of legal problems. Participants with more than two employment barriers will receive service priority.

All training is classroom/laboratory, and will be provided by CHDC instructors. Project administration will be the responsibility of CHDC.

Employer Demand

The core group of employers are ETP-eligible as California businesses which pay premiums to the California Unemployment Insurance Fund administered by the Employment Development Department. They are thus eligible to hire trainees who have been trained in an ETP-funded training program.

Marketing Plan for Recruitment of Employers consists of several methods. First, CHDC maintains an active relationship with employers who have previously hired qualified ETP graduates. Second, CHDC targets new employers identified as those in growing industries. To achieve this objective, CHDC employment service representatives use a network of contacts in the employer community including maintaining memberships in local chambers of commerce, human resource organizations, community organizations, and professional associations.

The curricula and training hours provided are determined in consultation with employer representatives from local businesses and industry. Volunteer Industrial Advisory Boards (IABs) meet quarterly and

NARRATIVE: (continued)

provide input on curricula, equipment, labor market trends, qualifications, and attitudes expected by the hiring employers. A significant portion of the population to be served in this project will include individuals with limited English proficiency, limited basic education, and limited or lack of training. The training curriculum and hours in this project are established based on the input from the Advisory Boards, and prior CHDC programs which have successfully trained individuals with multiple barriers to full-time stable employment.

This project will target two specific occupations, truck driver and welder. According to Employment Development Department (EDD) labor market information, the demand for truck drivers will continue to grow through 2004. The truck driving industry also signals a demand as employers report difficulty in finding qualified applicants. The demand for welders is based on labor market trends identified by the IABs. Participating employers such as Lodi Metal Tech and CBC Steel Buildings have certified the need to hire qualified welders. A demand for welders will also be evident with the construction and replacement of the east span of the San Francisco–Oakland Bay Bridge. CHDC representatives assert that various components of the new bridge will be constructed in the Stockton area and employers will need skilled welders to build these components.

Justification of High Cost

ETP policy requires that when the requested cost per trainee is more than double the ETP average cost per trainee of \$1,315, a Multiple-Employer Contractor must justify the higher cost. In this project, the average hours per trainee is 605 hours and the average cost per trainee is \$5,087. The ETP cost per trainee is based on CHDC published catalog rates, which are less than the ETP fixed fee rate of \$15.00 per hour, and range between \$7.18 and \$12.00 per training hour.

Within the past few years, ETP has funded new hire truck driver training at an average cost of \$3,509 per trainee for 222 average classroom hours of training, and one new hire welder program for a cost of \$7,248 per trainee for 900 hours of classroom training hours. The CHDC training program is 660 hours for welder and 300 hours for truck driver. The hours increase to 910 and 550 for welder and truck driver respectively, because it includes a 250-hour literacy skills training component for individuals with learning and language barriers.

California Human Development Corporation's justification for the high cost per trainee, is derived from two factors: (1) the high number of training hours required by individuals who lack experience, and (2) the trainee's potential wage increase. The first factor takes into account language barriers and learning difficulties. Most trainees in the CHDC new hire programs have limited training and require extensive hours to obtain the skills to proficiently perform the job skills. The second has to do with the increased wage potential. Although CHDC does not have information regarding a trainee's exact wage progression subsequent to the end of the retention period, EDD Occupational Outlook reports indicate the truck driver median wage after three years is \$15.00 per hour, and welder median wage after three years is \$14.00 per hour. In the last ETP Agreement, the average wage after the retention period was \$11.03 per hour, and only three (3) trainees received a wage lower than the minimum ETP wage requirement of \$8.98 per hour.

Supplemental Nature of Training

Each of the companies in the core group of participating employers for this project has limited resources and thus is not in a position to provide the level of training that is included in this proposal to prospective new employees. This program will supplement and not supplant existing training programs.

NARRATIVE: (continued)

In-Kind Contribution

Participating employers will provide an in-kind contribution to this project. The total in-kind contribution amount of \$243,800, will include the following: 1) after completion of training and during the employment retention period, participating employers will provide training (orientation, company policies and procedures, safety practices, and standards of operation) to newly hired employees for an estimated \$31,200; 2) the initial core employers will contribute approximately \$204,100 for trainee wages paid during the additional training period within the employment retention period; and 3) an additional \$8,500 in donated metal material will be provided by employers.

COMMENTS:

Request for an Additional 4 percent in Support Costs for New-Hire Recruitment

Title 22, California Code of Regulations (CCR), Section 4411 (e) for Fixed-Fee Contracts, states in part that multiple-employer new hire training projects may include the following costs in addition to the fixed fee: "Recruitment of training participants, ...Job Development, Job search assistance, and placement in specific jobs". Also, pursuant to 22 CCR, Section 4411 (g), "...up to an additional 4% support costs will be allowed subject to Panel approval if the contractor makes a showing that the 8% is not sufficient to provide the Contractor with the funds to do necessary recruitment of potential new hire trainees."

The Contractor has requested up to an additional 4 percent (equal to \$11,241) in support costs (to a total of 12%) to cover the cost of its new-hire recruitment activities associated with: 1) individuals that have multiple barriers to employment; and 2) increased performance risk with ETP funding. The Contractor states that past ETP contracts have cost thousands of dollars in extra staff time beyond the eight percent standard, due to additional support services required in recruitment and placement of individuals with multiple employment barriers. A justification has been submitted by CHDC, which supports additional costs for staff salaries (non-instruction hours), fringe benefits, job development and retention, and follow-up services for each trainee. Also, ETP requirements have prevented CHDC from collecting any costs for trainees who are unable to successfully complete the training hours and/or do not stay in training-related placements for the full 90-day retention. In past contracts, CHDC estimates that approximately 30 percent of trainees did not meet ETP performance requirements, which incurred instruction and placement costs that become un-recovered. To help mitigate this risk, CHDC incurs extra staffing costs related to both job placement and job retention of these trainees with multiple barriers. Thus, the increase in support costs would allow CHDC to cover actual costs of providing employment placement services beyond the ETP standard of 8 percent.

Training in Areas of High Unemployment/Wage Waiver Request

Unemployment Insurance Code, Section 10201.5, gives the Employment Training Panel the authority to waive the ETP minimum wage requirements for frontline workers in regions of the state where the unemployment rate is significantly higher than the state average. These projects should focus on the "working poor" for workers with full-time jobs and fairly stable employment, but earn low wages in dead-end jobs and lack the essential job skills necessary to improve their employment opportunities. For new hire trainees, the Panel may also waive the ETP minimum wage requirements on a case-by-case basis and the Panel does not require a post-retention wage increase because trainees are not employed and do not receive wages during training.

COMMENTS: (continued)

For 20 percent of all trainees CHDC is requesting a waiver of the ETP minimum wage requirement from \$8.98 to \$8.50 per hour for San Joaquin, Stanislaus, Yuba, and Sutter Counties, which are recognized as high unemployment areas within California. Based on recent Employment Development Department (EDD) figures of November 2002, the unemployment rate in San Joaquin, Stanislaus, Yuba and Sutter Counties were 10.4, 11.6, 11.9, and 14.7 percent respectively, while the statewide rate is 6.3 percent.

To support the wage waiver request, CHDC asserts that some employers in San Joaquin, Stanislaus, Yuba, and Sutter Counties pay a minimum of \$8.50 per hour including fringe benefits. As noted above, in its last ETP Agreement, three trainees received a wage lower than \$8.98. Representatives state that employers hire individuals who lack the essential skills required to improve their employment opportunities. Many trainees have reading and math skills below the 7th grade, lack training, and limited English proficiency. Since some of these individuals may need to apply for and retain entry-level jobs at lower wage rates, CHDC requests the ETP wage waiver for 20 percent of the trainees.

Based on the fact that most of the training sites are located in high unemployment areas, trainees have multiple barriers to employment, and the wage of \$8.50 per hours is less than 25 percent below the ETP minimum, staff recommends the Panel approve the wage waiver for up to 20 percent of the trainees.

Apprenticeable Occupations

Unemployment Insurance (UI) Code 10200 (a)(4) of the Panel's enabling Legislation states in part that programs developed shall not replace, parallel, supplant, compete with or duplicate in any way already existing approved apprenticeship programs. At the October 2002 meeting, the Panel approved an apprenticeship training policy. Pursuant to pre-apprenticeship training (New-Hire training), these projects would be reviewed with regard to the proposed job the trainee would be placed into following the completion of training. Specifically, the proposed policy states, "When pre-apprenticeship training is being considered for trades with Division of Apprenticeship Standards (DAS) the following shall apply:

A) The applicant seeking the contract must be a DAS approved apprenticeship program or be participating in a DAS approved apprenticeship program; and B) Upon completion of the approved pre-apprenticeship training, trainees must be enrolled in a DAS approved apprenticeship program for work in the industry in which they have received pre-apprenticeship training. However, other placements may be allowed on a case by case basis subject to prior Panel approval."

ETP staff contacted the relevant contact person at the DAS to determine the courses and required hours to complete a welder program. Based on DAS review of existing welder training programs and the ETP program, the programs are not similar.

Staff has added language to the Agreement stating that the Contractor will be reimbursed only if trainees complete their post-training retention period in the welding industry or if the trainees go into an approved apprenticeship program.

DMV Test

Truck driver trainees will be required to pass the Department of Motor Vehicles (DMV) test, Class A truck drivers, before employment placement and the 90-day retention period can begin. Training for any trainee who does not pass the DMV test and does not complete the required retention period with an eligible employer will not be reimbursed by ETP.

California Human Development Corporation pays for each trainee's pre-test physical, drug testing, and DMV test.

PROPOSED ACTION:

Staff recommends the Panel approve this One-Step Agreement contingent upon approval of an additional 4 percent in support costs and the wage waiver for trainees in High Unemployment Areas who lack the essential job skills to improve their employment opportunities. This recommendation is based on the fact that CHDC will provide 68 unemployed individuals with the skills necessary to obtain employment in industry specific occupations as welders and truck drivers.

TRAINING PLAN:

Grp/ Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 New Hire	Commercial Skills (Welding)	15	660	0	0	\$5,786	*\$8.50 - \$12.00
Job Number 2 New Hire	Commercial Skills (Welding) Literacy Skills	8	910	0	0	\$7,161	*\$8.50 - \$12.00
Job Number 3 New Hire	Commercial Skills (Truck Driver)	30	300	0	0	\$3,945	*\$8.50 - \$12.00
Job Number 4 New Hire	Commercial Skills (Truck Driver) Literacy Skills	15	550	0	0	\$5,316	*\$8.50 - \$12.00
					-	ge of Hourly *\$8.50 - \$12	
					Prev	alent Hourl \$8.98	y Wage
					Avera	*\$5,087	Trainee
Health Benefit used to meet ETP minimum wage:					Turnove		f Mgrs &
*Health, dental, and vision benefits vary by participating employer and may be added to trainee wages to satisfy the ETP minimum hourly wage for new hires of \$8.50 for placements in San Joaquin, Stanislaus, Yuba, and Sutter Counties; and \$8.98 per hour for placement in all other Counties.			urly nislaus,	Rate 20% or le	tr	visors to be rained: 0%	

COMMERCIAL SKILLS - WELDING (Job Numbers 1 and 2) 660 Hours of Instruction

<u>MODULE</u>	
1	Orientation and Safety Welding Occupation Shop Practices Safety Lectures
2	Metal Preparation and Cutting Oxy-acetylene Set-Up Layout and Cutting 16 Gauge Welds
3	Shielded Metal Arc Welding (SMAC)-Introduction Safety, set-up SMAW Equipment Stringer Beads T-Joints
4	Shielded Metal Arc Welding – Intermediate Part 1 Lap Joints Butt Joints Fillet Welds
5	Shielded Metal Arc Welding – Intermediate Part 11 Weaving Motion Outside Corner Joints Edge Joints
6	<u>Shielded Metal Arc Welding – Advanced</u> Vertical up and Overhead Positions SMAW Coupon (s)
7	Gas Metal Arc Welding (GMAW) – Introduction Safety, Set-up GMAW Equipment Fillet Welds T-Joints, Flat and Horizontal Positions Lap Joints
8	Gas Metal Arc Welding – Intermediate Part 1 Butt Joints V-Grooves T-Joints, Vertical Down Position

COMMERCIAL SKILLS - WELDING (Job Numbers 1 and 2)

(continued)

MODULE	
9	Gas Metal Arc Welding – Intermediate Part II Butt Joints, Vertical Down Position Outside Corner Joints, Vertical Down Position Lap Joints, Vertical Down Position
10	Gas Metal Arc Welding - Advanced T-Joints, Vertical up and OH Positions V-Grooves, Vertical Up and OH Positions GMAW Coupon(s)
11	Gas tungsten Arc Welding - Introduction Safety, set-up FCW Equipment Stainless Steel (SS) Stringer Beads Stainless Steel T-Joints
12	Fluxcored Welding (FCW) – Introduction Safety, Set-up FCW Equipment Fillet Welds, Flat Position on 3/32"
13	Gas Tungsten Arc Welding – Intermediate Part 1 16 Gauge SS Lap and Butt Joints SS Pipe to Plate SS Butt Joints Pipe
14	Gas Tungsten Arc Welding – Intermediate Part 11 Set-up for Aluminum (AL) Welding AL Stringer Beads AL T-Joints AL Lap Joints
15	Gas Tungsten Arc Welding (GTAW) – Advanced AL Butt Joints AL Outside Corner Joints GTAW Coupon(s)

COMMERCIAL SKILLS - WELDING (Job Numbers 1 and 2)

(continued)

MODULE	
16	Fluxcored Welding – Intermediate Part 1 Lap Joints, Flat and Horizontal Positions Butt Joints, Flat and Horizontal Positions Outside Corners, Flat and Horizontal Positions
17	<u>Fluxcored Welding – Intermediate Part II</u> Butt Joints on 7/64", Vertical Up Position Lap Joints on 7/64", Vertical Up Position
18	Fluxcored Welding - Advanced T-Joints, Multiple Pass V-Grooves, Vertical Up Positions FCW Coupon(s)
19	Measuring Practices Shop Math Fractions and Decimals Tapes and Calipers
20	Blueprint Reading Symbols and Diagrams Layout and Interpretation
21	Introduction to Metalworking Machines Bench Machines: Saws and Grinders Freestanding Equipment: Cutters, Milling Machines

COMMERCIAL SKILLS – TRUCK DRIVING (Job Numbers 3 and 4) 300 Hours of Instruction

MODULE	
1	Orientation and Safety Control Systems Vehicle Inspection Basic Control Coupling & Uncoupling
2	Pre-Trip Vehicle Inspection Shifting
3	Skills Backing Coupling & Uncoupling Proficiency Development
4	Knowledge of Gear Pattern Basic Control Shifting Backing Coupling & Uncoupling
5	Driving Management Visual Search Communication Speed Management Space Management Night Operation Extreme Driving Conditions Safe Operating Procedures
6	Operation of Vehicle Emergency Maneuvers Skid Control Vehicle Systems Preventive Maintenance Diagnosing Malfunctions Fuel Systems

COMMERCIAL SKILLS – TRUCK DRIVING (Job Numbers 3 and 4)

(continued)

MODULE

7	Vehicle Maintenance Air Systems Cooling Systems Lubricating Systems Electrical Systems Cargo Handling Trip Planning
8	State and Federal Laws State License Preparation Understand Federal Motor Carrier Safety Regulations
9	Documentation Cargo Documentation Hours of Service Accident Procedures Public Relations Safety

LITERACY SKILLS VOCATIONAL ENGLISH AS A SECOND LANGUAGE (Only Job Numbers 2 and 4) 250 Hours of Instruction

MODULE	
1	Communication Introductions, Formalities at Work Use of Telephone in Work Situations Developing Relationships at the Worksite
2	Your Workplace Following and Giving Directions Obtaining and Organizing Materials and Supplies Discussing Work Quality, Dealing with Mistakes
3	Technology Setting/Using Equipment Per Directions/Manuals Identifying/Using Appropriate Tools Basic Measurement and Math As Needed
4	<u>Time Management</u> Understanding Calendars and Clocks Understanding Work Schedules and Schedule Changes
5	Customer Service Understanding Commitment to Customers Understanding Customer Service Policies Providing Quality Performance on the Job
6	Culture of Work Understanding and Following Employer's Rules Communicating about Excused Absences Appropriate Language on the Job Getting Along With Co-Workers, Supervisors
7	<u>Finances</u> Time Reporting – Time sheets, Time Cards Understanding Paychecks, W-4, and W-2 Forms Understanding Benefits and Paycheck Deductions

LITERACY SKILLS VOCATIONAL ENGLISH AS A SECOND LANGUAGE (Only Job Numbers 2 and 4) 250 Hours of Instruction

(continued)

MODULE

8	Health and Safety
	Understanding and Following Emergency Instructions
	Safety Concepts and Instructions
9	Working with People
	Giving and Receiving Feedback
	Evaluating Work Duties and Performance
	Preparing for and Contributing to Meetings
10	Transportation and Directions
	Interpreting Street Maps
	Following Directions to Work Locations
	Determining Arrival and Departure Times
	Understanding Commercial Transportation

Participating Employers in Retrainee New HIRE MULTIPLE Employer Contracts

Contractor's Name: California Human Development Corporation

CCG No. ET 03-0256

Reference No. 03-062 Page 1

PRINT OR TYPE

Company: CBC Steel Buildings

Address: 1700 E. Louise Avenue

City, State, Zip: Lathrop, CA 95330

Contact Person/Title: Gary Conniss, Superintendent

Telephone No.: 209-983-0910

Collective Bargaining Agreement(s): No

Estimated #of employees to be retrained or hired under this Agreement: 90

Total # of full-time company employees worldwide: 3

Company: Keep On Trucking Company, Inc.

Address: 705 Cavanaugh (Ruff & Ready Island)

City, State, Zip: Stockton, CA 95203

Contact Person/Title: Nathan Torres, Human Resources Director

Telephone No.: 209-938-0750

Collective Bargaining Agreement(s): No

Estimated # of employees to be retrained or hired under this Agreement: 127

Total # of full-time company employees worldwide: 12

Company: Lodi Metal Tech., Inc.

Address: 213 S. Kelly

City, State, Zip: Lodi, CA 95240

Contact Person/Title: Bob Mastro, Human Resources Manager

Telephone No.: 209-334-2500

Collective Bargaining Agreement(s): No

Estimated # of employees to be retrained or hired under this Agreement: 5

Total # of full-time company employees worldwide: 54

Participating Employers in Retrainee New HIRE MULTIPLE Employer Contracts

Contractor's Name: California Human Development Corporation

CCG No. ET 03-0256

Reference No. 03-062

PRINT OR TYPE

Company: Sam Freitas Trucking, Inc.
Address: 2420 E Eight Mile Road
City, State, Zip: Stockton, CA 95210
Contact Person/Title: Susan Wysocki, Human Resources Manager
Telephone No.: 209-474-0294
Collective Bargaining Agreement(s): No
Estimated #of employees to be retrained or hired under this Agreement: 70
Total # of full-time company employees worldwide: 15
Company:
Address:
City, State, Zip:
Contact Person/Title:
Telephone No.:
Collective Bargaining Agreement(s):
Estimated # of employees to be retrained or hired under this Agreement:
Total # of full-time company employees worldwide:
Company:
Address:
City, State, Zip:
Contact Person/Title:
Telephone No.:
Collective Bargaining Agreement(s):
Estimated # of employees to be retrained or hired under this Agreement:
Total # of full-time company employees worldwide: